

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
Board of Directors Meeting

February 22, 1996, 11:00 a.m.
Utah Association of Counties Offices
4021 South 700 East, Suite 180, Salt Lake City, Utah
801-265-1331

AGENDA

11:00	Call to Order	Gary Herbert
	Welcome & Introduction of Board Member, Curtis Dastrup	Brett Rich
	Review of Board Members Absent	Gary Herbert
	Approval of January 25, 1996 Minutes	Gary Herbert
	Insurance Department Meeting	Brett Rich
	Director's Report	Brett Rich
12:00	Lunch Break	
	PRIMA Annual Convention (Baltimore, June 2-5)	Gary Herbert
	Interest on Debenture Loans	Ty Lewis
	Brokers Report	Jess Hurtado Keri Chappell
	Summary of December Financial Statements	Brett Rich
	Loss Prevention Report	David Nelson
	Audit Committee Report	Gerald Hess
	Set Date & Time for Closed Meeting to Discuss LMC & Claims Report	Board of Director's
	Other Business	Gary Herbert
3:00	Adjourn	



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL MINUTES, BOARD OF DIRECTORS MEETING

February 22, 1996, 11:00 a.m.

UAC Offices

Board Members Present:

Gary Herbert, *President*, Utah County Commissioner
Gerald Hess, *Vice President*, Davis County Deputy Attorney
Sid Groll, *Comptroller*, Cache County Sheriff
Robert Gardner, *Secretary*, Iron County Commissioner
Ty Lewis, San Juan County Commissioner
Gary Sullivan, Beaver County Commissioner
Ken Brown, Rich County Commissioner

Board Members Absent:

Curtis Dastrup, Duchesne County Commissioner
Sarah Ann Skanchy, Cache County Council Member

Others Present:

Kent Sundberg, Utah County Deputy Attorney
Brett Rich, Director, UACIM
David Nelson, Loss Prevention Manager
Sonya White, UACIM Administrative Assistant
Jess Hurtado, UACIM Broker
Keri Chappell, UACIM Broker
Doug Alexander, UACIM Claims Manager

CALL TO ORDER

President, Gary Herbert, requested that Gerald begin this meeting until his arrival. Gerald called the meeting to order and welcomed those in attendance.

REVIEW OF BOARD MEMBERS ABSENT

Curtis and Sarah Ann were unable to travel to Salt Lake today due to the extreme weather conditions. Sarah Ann will be available by phone. Ken made a motion to excuse Curtis and Sarah Ann from this meeting. Gary Sullivan seconded the motion and the motion carried.

REVIEW AND APPROVAL OF JANUARY 1996 MINUTES

The minutes from the January 25, 1996, Board meeting were previously sent and reviewed by the Board. Robert made a motion to approve the minutes as written. Sid seconded the motion and the motion carried.

INSURANCE DEPARTMENT MEETING

Brett reported that on February 12th, he and Jess met with six employees of the Insurance Department to discuss the Financial Examination Report and the Market Conduct Examination Report. Pursuant to the recommendations discussed at the January 25th Board meeting, Brett and Jess reviewed these recommendations with the Department. The Mutual was asked to submit a proposal within 45 days to the Department regarding, 1) amendments to the Certificate of Authority, 2) surplus requirements and 3) the Mutual's policy form. Brett and Jess have already started preparing a detailed proposal to present to the Department on March 28th. A hearing will then be scheduled which some of the Board members should attend. Overall, this initial meeting was very positive but in order to be fully prepared to present a detailed proposal, Brett requested authorization from the Board to utilize the necessary professional resources. Ty made a motion authorizing Brett to contact the necessary consultants and make available the necessary resources to prepare the proposal to be presented to the Insurance Department, pursuant to the availability of funds in the budget. Robert seconded the motion and the motion carried. The Board also directed Brett to include Workers Comp as an additional line of coverage written by the Mutual in the proposal to the Department.

Brett explained that he had just recently received a copy of *HB 343, Insurance Amendments*, proposed by the Department this legislative session. The bill has 93 pages of complex computation using NAIC (National Association of Insurance Commissioners) risk based capital formulation. The purpose of this bill is to include the risk based capital formula into the Insurance Code—this will affect the compulsory surplus requirement. In speaking with the School Districts, URMA and ULGT, none were aware that this bill was proposed. Brett will continue to work with Brent Gardner to monitor this bill. The Board recommended that Brett and Brent also start working together with the Utah Pools, the Governor and the Department to propose positive legislation for the 1997 session.

DIRECTOR'S REPORT

Brett requested confirmation from the Board as to who is authorized to transfer funds from the State Treasurers Fund. A form was received from the State Treasurer for completion. Ken made a motion for Brett and Sonya to be authorized to transfer funds from the State Treasurer to First Security Bank. Gary Sullivan seconded the motion and the motion carried.

Brett reviewed a rough draft of a point system he is developing which includes county response to risk reviews, adoption and use of jail standards, credits for safety devices, credits for appropriate use of county facilities using TULIP, etc. The Board directed Brett to send a copy of the program to each Board member for review and response in preparation of adopting the program at next meeting. The adopted program will be presented to the membership in April.

Brett gave an update of *SB 192, Wildland Fire Suppression Fund*, sponsored by Senator Leonard Blackham. The bill reads that the Division of Sovereign Lands and Forestry shall make rules to administer the fund. If the Mutual wants to administer this program then adjustments need to be made to the bill. Mark Walsh, UAC Associate Director, is optimistic that this bill will pass with the support of the counties in contacting their Senators. Ken reported that the bill is out of the House and out of the Senate Committee. The Board directed Brett to contact Mark for instructions how to proceed with this issue.

Brett prepared a time line, which he reviewed with Jess, for the broker contract bidding process. April 1st deadline to submit the request for qualifications, May 1st deadline for selecting the qualified brokers to present a RFP, June 1st deadline to release the Mutual's specifications, September 1st deadline to receive the final proposals, and November 1st deadline to make a decision. Ty made a motion to adopt the time line as presented by Brett and prepare for the request for qualifications process. Sid seconded the motion and the motion carried.

Brett submitted the actuarial reports to the Audit Committee for their review. The Mutual should feel confident about the reports since Aon and Coopers & Lybrand were within \$100,000 of each other.

Brett met with Commissioner Russell Gallian, Peter Stirba and several people in the Washington County Attorney's Office regarding the pollution exclusion relating to claim number 801WAS927004. On May 18, 1995, representatives from National Union, Robert Lund and Pat Page, attended the Board meeting wherein Washington County and the Board of Director's voiced their concerns with this case. Lund and Page agreed to look at the issues and report back to the Board. Despite repeated requests, eight months of time, and regular reports on the progress of the case, the Mutual has not received a response. Brett addressed a letter to Jess which was read aloud to the Board outlining the dates, details and frustrations involved in the case. Jess sent the letter overnight to Robert Lund on Monday who has not responded as of yet. Ty explained that the pollution exclusion is a problem because according to state statute, counties are required to spray noxious weeds even on private property (if the owner won't spray). Kent read the statute to the Board which states: *The county may (not shall) after reasonable notification enter the property without the consent of the owner.* After extensive discussion Ty made a motion and Ken seconded the motion which was held for vote until after the LMC and Claims Report.

Brett and Sid spoke to the Sheriffs at their monthly Sheriffs Association meeting regarding the possibility of giving the Mutual's excess carrier a copy of the Jail Standards. The Sheriffs Association is in the process of copyrighting the Standards but will allow Brett to give a copy to the excess carrier if they will sign an agreement expressing that the Standards are for their review relating to UACIM issues and not for any other use or purpose and should not be photocopied for any reason. Brett will draft the agreement and review it with the Sheriffs Association for their approval. Kent will review the Standards to see if his corrections and recommendations were included.

Brett reported that several counties paid their 1996 premium contributions after the January 31st deadline. Therefore, a late fee was assessed pursuant to the *Premium Payment Policy* adopted by the Board. Brett has received three letters and some phone calls from those counties expressing extenuating circumstances and requesting to be relieved from this late assessment. The original invoice was sent on October 2, 1995, to allow time for budgeting purposes and a reminder notice was sent on January 18, 1996. The Board requested Sonya to submit an invoice to the counties in October, December and January to accommodate the counties. Sid made a motion that due to the misconception of the language in the *Premium Payment Policy* there will be no late penalty assessed for 1996 for those counties paying their premium by February 29, 1996. Brett is directed to contact those counties assessed a late fee of the Board's decision. Robert seconded the motion and the motion carried. One dissenting vote by Ty. Sid made a motion for Brett to rewrite the *Premium Payment Policy* language to read that the premium payment is due by January 1st and any payment received and/or postmarked after January 31st is deemed late and a fee of 2% above the Federal Prime Rate will be charged. Gary Sullivan seconded the motion and the motion carried.

PRIMA ANNUAL CONFERENCE

The Annual PRIMA Conference is scheduled for June 2-5, 1996, in Baltimore. Dennis Ewing and Gerald attended the annual Conference last year. Gerald felt that it would be very beneficial to send someone from the Board or staff to the Conference. The Board reviewed the scheduled sessions and Ken made a motion for Brett to attend this Conference. Gerald seconded the motion and the motion carried. There is also a PRIMA Trustees' Seminar scheduled for March 20-22, 1996, in San Francisco. After discussion, the Board agreed not to send anyone from the Board or staff to this Seminar.

INTEREST ON DEBENTURE LOANS

Ty will be meeting with those debenture loan county officials at the UAC Management Conference in April.

BROKERS REPORT

Jess is in the process of formalizing a pooling program with TIG and is in the process of submitting the Mutual for review and consideration. TIG's program is broader—includes Workers Comp, weed spraying and mosquito abatement issues, provides coverage for elected officials whose department is affected by a sexual molestation offense, higher earthquake and flood limits. Jess is also negotiating a lower aggregate and deductible.

Keri reported that the Boiler and Machinery questionnaires were sent to all the counties as requested by the Board. Apparently most of the counties facilities that have boiler and machinery equipment are insured through the state by Fred A. Morton. Keri will continue to report on this issue as information is returned from the counties.

Jess met with Dennis Ewing to review Tooele County's insurance policy but the county has not yet received a copy.

SUMMARY OF NOVEMBER FINANCIAL STATEMENTS

The financial statements for the month ending December were previously sent to the Board for review. Brett reviewed a chart showing the total incurred 13 month progression by year. The Mutual is starting to see positive effects of loss prevention efforts in 1995. On the Balance Sheet the Total Surplus Fund has decreased due to the increase in 1995 loss estimates and unallocated loss adjustment expenses. Coopers & Lybrand's draft of the actuarial opinion was received and reviewed. Ty made a motion for Gary Herbert to sign the engagement letter. Ken seconded the motion and the motion carried.

LOSS PREVENTION REPORT

David reviewed his written report with the Board (see attachment #1). David is using the guideline presented to the Board at the last meeting to check, evaluate and generate recommendations. David's goal is to visit each member county twice this year. In his visits he is making training available to county drivers, reviewing claims activity and promoting loss management. David will be participating as a presenter and exhibitor at the Annual Road School in April. "Drugs in the Workplace" training is scheduled for March in Emery, Iron, Utah and Davis Counties. Additional training in other loss prevention areas are scheduled for June and September. Finally, David reviewed his February and March calendars.

AUDIT COMMITTEE REPORT

Gerald explained that due to the legislative session and unexpected weather conditions, the Committee was unable to meet this month. The Committee received the audit report, is reviewing it and will report to the Board at the next meeting.

SET DATE & TIME FOR CLOSED MEETING TO DISCUSS PENDING OR REASONABLY EMINENT LITIGATION

Gary Sullivan made a motion to set the date and time for closed meeting at 2:25 p.m. February 22, 1996. Ken seconded the motion and the motion carried.

A motion was made for the Board to open the closed meeting. The motion was seconded and the motion carried.

Ty made a motion regarding claim number 801WAS927004 to notify Washington County and National Union that in accordance with the opinion of Mr. Baird Morgan, UACIM believes that exclusion number 12 of the National Union policy does not preclude coverage for damage resulting from the spraying of herbicides, as intended, on property. Ken seconded the motion and the motion carried.

Ty made a motion to authorize settlement up to an amount of \$35,000 for claim number 801UTA957017, as long as the subrogation rights on the case are not adversely affected. Sid seconded the motion and the motion carried.

OTHER BUISNESS

The next meeting of the UACIM Board of Directors will be at 10:00 a.m. on the 21st of March 1996, in St. George, Utah. The meeting was adjourned.

MOTIONS

- 1- Motion to excuse Board Members Ann Skancky and Curtis Dastrup passed unanimously.
- 2- Motion to approve the minutes of the meeting held on January 25, 1996 pass unanimously.
- 3- Motion to allow the UACIM Director to contact attorneys, consultants or others and provide information about the Mutual for the purpose of preparing for the upcoming meetings with and responses to the Insurance Department, passed unanimously.
- 4- Motion to go into executive session passed unanimously.
- 5- Motion by Ty Lewis to notify Washington County and National Union that in accordance with the opinion of the Mr. Baird Morgan, UACIM believes that exclusion number 12 of the National Union policy does not preclude coverage for damage resulting from the spraying of herbicides, as intended, on property. The motion passed unanimously.
- 6- Motion to authorize up to \$35,000 for settlement of 801 UTA 95007017, so long as the subrogation rights on the case are not adversely affected.

NEXT BOARD MEETING

10:00 a.m., Thursday, March 21, 1996, in St. George. Exact location to be arranged by staff.

